

UNIFIED SCHOOL DISTRICT NO. 325

Phillipsburg, Kansas

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

June 30, 2011

**MAPES & MILLER, LLP
Certified Public Accountants
Phillipsburg, Kansas**

UNIFIED SCHOOL DISTRICT NO. 325
Phillipsburg, Kansas
June 30, 2011

Mike Gower	-	Superintendent
Mary Jackson	-	Clerk
Russ Bowman	-	Treasurer

BOARD MEMBERS

Deb Kennedy - President

Todd Kennedy - Vice President

Stan Munyon

Michelle Powell

Patrick Hewitt

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Patty Northup

**UNIFIED SCHOOL DISTRICT NO. 325
Phillipsburg, Kansas**

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Unified School District No. 325
Phillipsburg, KS 67661

We have audited the accompanying financial statements of Unified School District No. 325, Phillipsburg, Kansas as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the guidance in the Kansas Municipal Audit Guide. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Unified School District No. 325, Phillipsburg, Kansas, has prepared these financial statements in conformity with accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between the regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Unified School District No. 325, Phillipsburg, Kansas, as of June 30, 2011, or the changes in its financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of Unified School District No. 325, Phillipsburg, Kansas as of June 30, 2011, and its cash receipts and expenditures, and budget to actual comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

Board of Education
Unified School District No. 325
September 13, 2012
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In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2012, on our consideration of Unified School District No. 325's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Unified School District No. 325, Phillipsburg, Kansas' financial statements. The information identified in the table of contents as supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements of Unified School District No. 325. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole, on the basis of accounting described in Note 1.

Respectfully submitted,

Mapes & Miller, LLP

Certified Public Accountants

September 13, 2012
Phillipsburg, Kansas

UNIFIED SCHOOL DISTRICT NO. 325
Phillipsburg, Kansas

Statement 1

SUMMARY OF CASH RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH
For The Year Ended June 30, 2011

FUND	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds:							
General Funds							
General Fund	\$ (474,187) *	\$ -	\$ 4,872,653	\$ 4,775,631	\$ (377,165) *	\$ 352,844	\$ (24,321)
Supplemental General Fund	(83,923) *	-	1,678,607	1,557,115	37,569	303,772	341,341
Special Revenue Funds							
Vocation Education Fund	16,674	-	183,001	180,243	19,432	12,253	31,685
Special Education Fund	435,198	-	1,015,856	933,146	517,908	511	518,419
Driver Training Fund	11,580	-	6,199	6,411	11,368	-	11,368
Food Service Fund	95,264	-	336,362	334,102	97,524	3,071	100,595
At Risk (K-12) Fund	21,628	-	336,266	334,539	23,355	29,670	53,025
Capital Outlay Fund	519,840	-	342,190	332,509	529,521	2,886	532,407
Textbook & Student Material Revolving Fund	41,831	-	23,444	14,833	50,442	2,056	52,498
Professional Development Fund	22,206	-	5,000	5,521	21,685	2,385	24,070
Contingency Reserve Fund	400,000	-	-	-	400,000	-	400,000
School Publications Fund	-	-	21,347	21,070	277	-	277
Gifts & Contributions Fund	7,137	-	12,469	16,479	3,127	594	3,721
Federal Funds	-	-	149,692	149,692	-	21,575	21,575
KPERS Special Retirement Contribution Fund	(125,239) *	-	323,581	198,342	-	-	-
District Activity Funds	26,682	-	92,726	81,273	38,135	-	38,135
Debt Service Fund							
Bond & Interest Fund	160,202	-	10,582	-	170,784	-	170,784
Fiduciary Type Fund:							
Private Purpose Trust Fund							
Scholarship Fund	351	-	-	-	351	-	351
Total Reporting Entity (Excluding Agency Funds)	<u>\$ 1,075,244</u>	<u>\$ -</u>	<u>\$ 9,409,975</u>	<u>\$ 8,940,906</u>	<u>\$ 1,544,313</u>	<u>\$ 731,617</u>	<u>\$ 2,275,930</u>

*See Note 4A (Cash Basis Law)

The notes to the financial statements are an integral part of this statement.

**UNIFIED SCHOOL DISTRICT NO. 325
Phillipsburg, Kansas**

**Statement 1
(Cont.)**

**SUMMARY OF CASH RECEIPTS, CASH DISBURSEMENTS AND UNENCUMBERED CASH
For The Year Ended June 30, 2011**

COMPOSITION OF CASH

First National Bank & Trust

Checking	\$ 23,198
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NOW Accounts	1,547,677
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Certificates of Deposit	490,000
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Farmers State Bank

Certificates of Deposit	<u>260,000</u>
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Total Cash	2,320,875
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Agency Funds per Statement 4	<u>(44,945)</u>
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Total Reporting Entity (Excluding Agency Funds)	<u><u>\$ 2,275,930</u></u>
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The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 325

Phillipsburg, Kansas

Statement 2

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
(Budgeted Funds Only)
For the Year Ended June 30, 2011

FUNDS	Certified Budget	Adjustment to Comply with Legal Max	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
Governmental Type Funds:						
General Funds						
General Fund	\$ 4,720,519	\$ (76,040)	\$ 131,152	\$ 4,775,631	\$ 4,775,631	\$ -
Supplemental General Fund	1,550,229	-	6,886	1,557,115	1,557,115	-
Special Revenue Funds						
Vocational Education Fund	236,674	-	-	236,674	180,243	(56,431)
Special Education Fund	1,034,150	-	-	1,034,150	933,146	(101,004)
Driver Training Fund	15,080	-	-	15,080	6,411	(8,669)
Food Service Fund	473,339	-	-	473,339	334,102	(139,237)
At Risk (K-12) Fund	337,496	-	-	337,496	334,539	(2,957)
Capital Outlay Fund	785,000	-	-	785,000	332,509	(452,491)
Professional Development Fund	37,206	-	-	37,206	5,521	(31,685)
KPERS Special Retirement Contribution Fund	281,870	-	-	281,870	198,341	(83,529)
Debt Service Fund						
Bond & Interest Fund	-	-	-	-	-	-

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 325
Phillpsburg, Kansas

Statement 3

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For The Year Ended June 30, 2011

GENERAL FUND

	Actual	Budget	Variance Over (Under)
CASH RECEIPTS			
General Property Taxes			
Ad Valorem Taxes			
Tax in Process	\$ 9,610	\$ 4,698	\$ 4,912
Current Tax	451,977	411,177	40,800
Delinquent Tax	3,217	6,939	(3,722)
Mineral Production Tax	2,466	-	2,466
Reimbursements	127,672	-	127,672
State Reimbursements	3,480	-	3,480
State Aid	3,372,497	3,485,755	(113,258)
Special Education Aid	673,154	728,860	(55,706)
ARRA Stabilization Funds	83,090	83,090	-
Education Jobs Funds	145,490	-	145,490
	<u>4,872,653</u>	<u>\$ 4,720,519</u>	<u>\$ 152,134</u>
EXPENDITURES			
Instruction	2,348,394	\$ 2,352,700	\$ (4,306)
Student Support Services	81,543	148,070	(66,527)
Instructional Support Staff	71,569	77,750	(6,181)
General Administration	266,419	191,200	75,219
School Administration	417,613	401,200	16,413
Operations & Maintenance	365,101	375,500	(10,399)
Other Supplemental Services	48,973	65,000	(16,027)
Outgoing Transfers	1,176,019	1,109,099	66,920
Adjustment to Comply with Legal Max	-	(76,040)	76,040
	<u>4,775,631</u>	<u>4,644,479</u>	<u>131,152</u>
Legal General Fund Budget			
	<u>4,775,631</u>	<u>4,644,479</u>	<u>131,152</u>
Adjustment for Qualifying Budget Credits			
Reimbursements	-	127,672	(127,672)
State Reimbursements	-	3,480	(3,480)
Total Adjustment for Qualifying Budget Credits	<u>-</u>	<u>131,152</u>	<u>(131,152)</u>
Total Expenditures	<u>4,775,631</u>	<u>\$ 4,775,631</u>	<u>\$ -</u>
Cash Receipts Over (Under) Expenditures	97,022		
UNENCUMBERED CASH, July 1, 2010	<u>(474,187)</u>		
UNENCUMBERED CASH, June 30, 2011	<u>\$ (377,165) *</u>		

* See Note 4A (Cash Basis Law)
See Note 13 (Statutory Presentation)

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 325
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For The Year Ended June 30, 2011

SUPPLEMENTAL GENERAL FUND

	Actual	Budget	Variance Over (Under)
CASH RECEIPTS			
General Property Taxes			
Ad Valorem Taxes			
Tax In Process	\$ 15,193	\$ 9,859	\$ 5,334
Current Tax	618,595	537,576	81,019
Delinquent Tax	5,785	9,672	(3,887)
Motor Vehicle Tax	86,810	80,180	6,630
Recreational Vehicle Tax	1,979	1,929	50
Reimbursements	6,886	-	6,886
State Aid	943,359	825,491	117,868
	<u>1,678,607</u>	<u>\$ 1,464,707</u>	<u>\$ 213,900</u>
Total Cash Receipts			
EXPENDITURES			
Instruction			
Purchased Professional & Technical Services	19,485	\$ 58,000	\$ (38,515)
Purchased Property Services	5,014	-	5,014
Other Purchased Services	19,768	25,000	(5,232)
Supplies			
General	26,771	25,000	1,771
Textbooks	17,560	55,000	(37,440)
Technology	19,088	11,000	8,088
Miscellaneous	9,775	8,000	1,775
Property	52,919	15,000	37,919
Other	28,500	3,000	25,500
General Administration			
Purchased Professional & Technical Services	4,375	-	4,375
Other Purchased Services			
Communications	686	2,000	(1,314)
Other	255	1,000	(745)
Supplies	4,804	4,000	804
School Administration			
Other Purchased Services			
Communications	404	-	404
Operations & Maintenance			
Purchased Property Services			
Water & Sewer	30,897	32,000	(1,103)
Repairs & Maintenance	272,713	160,000	112,713
Supplies			
General	22,221	25,000	(2,779)
Energy			
Heating	38,355	70,000	(31,645)
Electricity	109,677	125,000	(15,323)

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 325
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For The Year Ended June 30, 2011

SUPPLEMENTAL GENERAL FUND (Cont.)

	Actual	Budget	Variance Over (Under)
EXPENDITURES (Cont.)			
Supervision			
Salaries			
Noncertified	\$ 9,778	\$ 10,000	\$ (222)
Employee Benefits			
Social Security & Medicare	743	900	(157)
Other	32	-	32
Vehicle Operating Services			
Other Purchased Services			
Contracting of Bus Services	214,049	215,000	(951)
Insurance	11,001	12,000	(999)
Motor Fuel	45,650	42,000	3,650
Vehicle & Maintenance Services			
Other Purchased Services	7,728	12,000	(4,272)
Supplies	2,410	2,500	(90)
Other	220	-	220
Other Student Transportation Services			
Purchased Property Services	45	500	(455)
Other Purchased Services	555	700	(145)
Outgoing Transfers			
Vocational Education Fund	110,000	150,000	(40,000)
Special Education Fund	111,637	100,000	11,637
Food Service Fund	40,000	70,000	(30,000)
At Risk (K-12) Fund	315,000	300,629	14,371
Professional Development Fund	5,000	15,000	(10,000)
Legal Supplemental General Fund Budget	1,557,115	1,550,229	6,886
Adjustment for Qualifying Budget Credits			
Reimbursements	-	6,886	(6,886)
Total Expenditures	<u>1,557,115</u>	<u>\$ 1,557,115</u>	<u>\$ -</u>
Cash Receipts Over (Under) Expenditures	121,492		
UNENCUMBERED CASH, July 1, 2010	<u>(83,923)</u>		
UNENCUMBERED CASH, June 30, 2011	<u>\$ 37,569</u>		

See Note 13 (Statutory Presentation)

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 325
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For The Year Ended June, 30, 2011

VOCATIONAL EDUCATION FUND

	Actual	Budget	Variance Over (Under)
CASH RECEIPTS			
Other Revenue From Local Sources	\$ 3,001	\$ -	\$ 3,001
Incoming Transfers			
General Fund	70,000	70,000	-
Supplemental General Fund	110,000	150,000	(40,000)
	<u>183,001</u>	<u>\$ 220,000</u>	<u>\$ (36,999)</u>
EXPENDITURES			
Instruction			
Salaries			
Certified	125,273	\$ 165,000	\$ (39,727)
Employee Benefits			
Insurance	17,447	25,000	(7,553)
Social Security & Medicare	9,209	15,000	(5,791)
Other	5,483	250	5,233
Other Purchased Services	4,729	7,000	(2,271)
Supplies			
General	12,221	17,424	(5,203)
Other	5,881	7,000	(1,119)
	<u>180,243</u>	<u>\$ 236,674</u>	<u>\$ (56,431)</u>
Cash Receipts Over (Under) Expenditures	2,758		
UNENCUMBERED CASH, July 1, 2010	<u>16,674</u>		
UNENCUMBERED CASH, June 30, 2011	<u>\$ 19,432</u>		

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 325
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For The Year Ended June 30, 2011

SPECIAL EDUCATION FUND

	Actual	Budget	Variance Over (Under)
CASH RECEIPTS			
Other Revenue From Local Sources	\$ 13,439	\$ -	\$ 13,439
Incoming Transfers			
General Fund	890,780	728,860	161,920
Supplemental General Fund	111,637	100,000	11,637
	<u>1,015,856</u>	<u>\$ 828,860</u>	<u>\$ 186,996</u>
EXPENDITURES			
Instruction			
Salaries			
Certified	4,817	\$ -	\$ 4,817
Noncertified	6,112	4,000	2,112
Employee Benefits			
Social Security	42	-	42
Other	3	-	3
Other Purchased Services			
Tuition/Private Sources	277	8,000	(7,723)
Payments to Interlocal/Coop	919,079	1,020,000	(100,921)
Supplies			
General	515	1,000	(485)
General Administration			
Other Purchased Services	1,365	-	1,365
Vehicle Operating Services			
Other Purchased Services			
Insurance	736	800	(64)
Other	200	350	(150)
	<u>933,146</u>	<u>\$ 1,034,150</u>	<u>\$ (101,004)</u>
Cash Receipts Over (Under) Expenditures	82,710		
UNENCUMBERED CASH, July 1, 2010	<u>435,198</u>		
UNENCUMBERED CASH, June 30, 2011	<u>\$ 517,908</u>		

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 325
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For The Year Ended June 30, 2011

DRIVER TRAINING FUND

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
CASH RECEIPTS			
Other Revenue from Local Sources	\$ 2,425	\$ -	\$ 2,425
State Aid	<u>3,774</u>	<u>3,500</u>	<u>274</u>
 Total Cash Receipts	 <u>6,199</u>	 <u><u>3,500</u></u>	 <u><u>2,699</u></u>
 EXPENDITURES			
Instruction			
Salaries			
Certified	5,200	\$ 14,480	\$ (9,280)
Employee Benefits			
Social Security & Medicare	398	600	(202)
Other	25	-	25
Operations & Maintenance			
Purchased Property Services	359	-	359
Motor Fuel	359	-	359
Other Supplemental Services			
Supplies	<u>70</u>	<u>-</u>	<u>70</u>
 Total Expenditures	 <u>6,411</u>	 <u><u>15,080</u></u>	 <u><u>(8,669)</u></u>
 Cash Receipts Over (Under) Expenditures	 (212)		
 UNENCUMBERED CASH, July 1, 2010	 <u>11,580</u>		
 UNENCUMBERED CASH, June 30, 2011	 <u><u>\$ 11,368</u></u>		

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 325
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For The Year Ended June 30, 2011

FOOD SERVICE FUND

	Actual	Budget	Variance Over (Under)
CASH RECEIPTS			
Student Receipts Breakfast & Lunch	\$ 125,539	\$ 117,681	\$ 7,858
Adult Receipts	958	31,812	(30,854)
Other Revenue From Local Sources	98	-	98
State Aid	3,900	3,204	696
Federal Aid	165,867	155,378	10,489
Incoming Transfer			
Supplemental General Fund	40,000	70,000	(30,000)
	<u>336,362</u>	<u>\$ 378,075</u>	<u>\$ (41,713)</u>
EXPENDITURES			
Operations & Maintenance			
Salaries			
Noncertified	738	\$ -	\$ 738
Property	-	3,000	(3,000)
Food Service Operation			
Salaries			
Noncertified	107,242	125,000	(17,758)
Employee Benefits			
Insurance	22,850	30,000	(7,150)
Social Security & Medicare	7,796	10,000	(2,204)
Other	335	-	335
Other Purchased Services	1,473	5,000	(3,527)
Supplies			
Food & Milk	178,659	235,000	(56,341)
Miscellaneous	9,065	15,000	(5,935)
Property	4,486	45,000	(40,514)
Other	1,458	5,339	(3,881)
	<u>334,102</u>	<u>\$ 473,339</u>	<u>\$ (139,237)</u>
Cash Receipts Over (Under) Expenditures	2,260		
UNENCUMBERED CASH, July 1, 2010	<u>95,264</u>		
UNENCUMBERED CASH, June 30, 2011	<u>\$ 97,524</u>		

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 325
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For The Year Ended June 30, 2011

AT RISK (K-12) FUND

	Actual	Budget	Variance Over (Under)
CASH RECEIPTS			
Other Revenue from Local Sources	\$ 6,027	\$ -	\$ 6,027
Incoming Transfers			
General Fund	15,239	15,239	-
Supplemental General Fund	315,000	300,629	14,371
	<u>336,266</u>	<u>\$ 315,868</u>	<u>\$ 20,398</u>
EXPENDITURES			
Instruction			
Salaries			
Certified	182,586	\$ 225,239	\$ (42,653)
Noncertified	9,561	5,000	4,561
Employee Benefits			
Insurance	62,539	7,500	55,039
Social Security & Medicare	14,086	17,000	(2,914)
Other	1,527	-	1,527
Other Purchased Services			
Tuition/Private Sources	28,525	45,000	(16,475)
Supplies			
General	85	-	85
Student Support Services			
Salaries			
Certified	23,367	25,000	(1,633)
Employee Benefits			
Social Security & Medicare	1,722	2,000	(278)
Other	80	-	80
Instructional Support Staff			
Salaries			
Certified	9,693	5,000	4,693
Noncertified	-	5,257	(5,257)
Employee Benefits			
Social Security & Medicare	734	500	234
Other	34	-	34
	<u>334,539</u>	<u>\$ 337,496</u>	<u>\$ (2,957)</u>
Cash Receipts Over (Under) Expenditures	1,727		
UNENCUMBERED CASH, July 1, 2010	<u>21,628</u>		
UNENCUMBERED CASH, June 30, 2011	<u>\$ 23,355</u>		

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 325
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For The Year Ended June 30, 2011

CAPITAL OUTLAY FUND

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
CASH RECEIPTS			
General Property Taxes			
Ad Valorem Taxes			
Tax in Process	\$ 2,490	\$ 1,615	\$ 875
Current Tax	102,155	93,215	8,940
Delinquent Tax	979	1,585	(606)
Motor Vehicle Tax	15,447	14,213	1,234
Recreational Vehicle Tax	351	342	9
Interest on Idle Funds	14,992	-	14,992
Other Revenue from Local Sources	5,776	-	5,776
Incoming Transfer			
General Fund	<u>200,000</u>	<u>295,000</u>	<u>(95,000)</u>
 Total Cash Receipts	 <u>342,190</u>	 <u>\$ 405,970</u>	 <u>\$ (63,780)</u>
 EXPENDITURES			
Instruction			
Property	165,815	\$ 300,000	\$ (134,185)
Student Support Services			
Property	2,088	65,000	(62,912)
School Administration			
Property	49,686	25,000	24,686
Central Services			
Property	2,280	10,000	(7,720)
Operations & Maintenance			
Property	1,166	50,000	(48,834)
Other Support Services			
Property	10,270	200,000	(189,730)
Architectural & Engineering Services	-	10,000	(10,000)
Building Improvements			
Outside Contractors	1,728	75,000	(73,272)
Debt Service	<u>99,476</u>	<u>50,000</u>	<u>49,476</u>
 Total Expenditures	 <u>332,509</u>	 <u>\$ 785,000</u>	 <u>\$ (452,491)</u>
 Cash Receipts Over (Under) Expenditures	 9,681		
 UNENCUMBERED CASH, July 1, 2010	 <u>519,840</u>		
 UNENCUMBERED CASH, June 30, 2011	 <u>\$ 529,521</u>		

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 325
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
For The Year Ended June 30, 2011

TEXTBOOK & STUDENT MATERIAL REVOLVING FUND

	Textbook Rental	Student Material	Total
CASH RECEIPTS			
Rentals	\$ 8,702	\$ -	\$ 8,702
Fees	-	14,292	14,292
Other Revenue from Local Sources	-	450	450
	<u>8,702</u>	<u>14,742</u>	<u>23,444</u>
Total Cash Receipts	<u>8,702</u>	<u>14,742</u>	<u>23,444</u>
EXPENDITURES			
Instructional Support Staff			
Textbooks	3,592	-	3,592
Musical Instruments	-	2,689	2,689
Other Materials & Supplies	499	8,053	8,552
	<u>4,091</u>	<u>10,742</u>	<u>14,833</u>
Total Expenditures	<u>4,091</u>	<u>10,742</u>	<u>14,833</u>
Cash Receipts Over (Under) Expenditures	4,611	4,000	8,611
UNENCUMBERED CASH, July 1, 2010	<u>13,264</u>	<u>28,567</u>	<u>41,831</u>
UNENCUMBERED CASH, June 30, 2011	<u><u>\$ 17,875</u></u>	<u><u>\$ 32,567</u></u>	<u><u>\$ 50,442</u></u>

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 325
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For The Year Ended June 30, 2011

PROFESSIONAL DEVELOPMENT FUND

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
CASH RECEIPTS			
Incoming Transfer			
Supplemental General Fund	\$ 5,000	\$ 15,000	\$ (10,000)
EXPENDITURES			
Instructional Support Staff			
Salaries			
Certified	-	\$ 6,000	\$ (6,000)
Noncertified	-	1,000	(1,000)
Other Supplemental Services			
Purchased Professional & Technical Services	3,016	7,000	(3,984)
Other Purchased Services	120	15,000	(14,880)
Supplies	2,385	500	1,885
Other	-	7,706	(7,706)
Total Expenditures	5,521	\$ 37,206	\$ (31,685)
Cash Receipts Over (Under) Expenditures	(521)		
UNENCUMBERED CASH, July 1, 2010	22,206		
UNENCUMBERED CASH, June 30, 2011	\$ 21,685		

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 325
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
For The Year Ended June 30, 2011

CONTINGENCY RESERVE FUND

	<u>Actual</u>
CASH RECEIPTS	<u>\$ -</u>
EXPENDITURES	<u>-</u>
Cash Receipts Over (Under) Expenditures	-
UNENCUMBERED CASH, July 1, 2010	<u>400,000</u>
UNENCUMBERED CASH, June 30, 2011	<u><u>\$ 400,000</u></u>

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 325
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
For The Year Ended June 30, 2011

SCHOOL PUBLICATIONS FUND

	Yearbooks		Panther Pause	Total
	High School	Middle School		
CASH RECEIPTS	\$ 17,818	\$ 1,408	\$ 2,121	\$ 21,347
EXPENDITURES	17,542	1,757	1,771	21,070
Cash Receipts Over (Under) Expenditures	276	(349)	350	277
UNENCUMBERED CASH, July 1, 2010	-	-	-	-
UNENCUMBERED CASH, June 30, 2011	<u>\$ 276</u>	<u>\$ (349)</u>	<u>\$ 350</u>	<u>\$ 277</u>

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 325
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For The Year Ended June 30, 2011

GIFTS & CONTRIBUTIONS FUND

	<u>Actual</u>	<u>Budget *</u>	<u>Variance Over (Under)</u>
CASH RECEIPTS			
Other Revenue from Local Sources			
Grants	<u>\$ 12,469</u>	<u>\$ 25,000</u>	<u>\$ (12,531)</u>
EXPENDITURES			
Instruction			
Purchased Professional & Technical Services	2,166	\$ 32,137	\$ (29,971)
Supplies	4,750	-	4,750
Equipment	594	-	594
Instructional Support Staff			
Supplies	<u>8,969</u>	<u>-</u>	<u>8,969</u>
Total Expenditures	<u>16,479</u>	<u>\$ 32,137</u>	<u>\$ (15,658)</u>
Cash Receipts Over (Under) Expenditures	(4,010)		
UNENCUMBERED CASH, July 1, 2010	<u>7,137</u>		
UNENCUMBERED CASH, June 30, 2011	<u>\$ 3,127</u>		

* The Gifts and Contributions fund is not required by statute to be budgeted, this budget is for informational purposes only.

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 325
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For The Year Ended June 30, 2011

	FEDERAL FUNDS				
	Title I	Title II	Total Federal Funds	Budget*	Variance Over (Under)
CASH RECEIPTS					
Federal Aid	\$ 81,981	\$ 22,940	\$ 104,921	\$ 163,856	\$ (58,935)
Federal Aid - ARRA	44,771	-	44,771	-	44,771
Total Cash Receipts	126,752	22,940	149,692	163,856	(14,164)
EXPENDITURES					
Instruction					
Salaries					
Certified	94,732	7,060	101,792	94,733	7,059
Employee Benefits					
Insurance	10,423	-	10,423	10,424	(1)
Social Security & Medicare	6,711	-	6,711	7,249	(538)
Other	310	-	310	-	310
Purchased Professional & Technical Services	-	-	-	5,200	(5,200)
Other Purchased Services	670	-	670	-	670
Supplies	7,337	-	7,337	5,000	2,337
Property	6,519	-	6,519	250	6,269
Other Supplemental Services					
Other Purchased Services	50	15,880	15,930	23,000	(7,070)
Other	-	-	-	18,000	(18,000)
Total Expenditures	126,752	22,940	149,692	\$ 163,856	\$ (14,164)
Cash Receipts Over (Under) Expenditures	-	-	-		
UNENCUMBERED CASH, July 1, 2010	-	-	-		
UNENCUMBERED CASH, June 30, 2011	\$ -	\$ -	\$ -		

*Federal funds are not required by statute to be budgeted, this budget is for informational purposes only.

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 325
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For The Year Ended June 30, 2011

KPERS SPECIAL RETIREMENT CONTRIBUTION FUND

	Actual	Budget	Variance Over (Under)
CASH RECEIPTS			
State Aid	\$ 323,581	\$ 281,870	\$ 41,711
EXPENDITURES			
Instruction			
Employee Benefits	136,260	\$ 180,000	\$ (43,740)
Student Support Services			
Employee Benefits	13,209	20,000	(6,791)
Instructional Support Staff			
Employee Benefits	4,642	10,000	(5,358)
General Administration			
Employee Benefits	4,642	8,500	(3,858)
School Administration			
Employee Benefits	11,267	21,000	(9,733)
Other Supplemental Services			
Employee Benefits	5,275	5,500	(225)
Operations & Maintenance			
Employee Benefits	15,788	20,000	(4,212)
Food Services			
Employee Benefits	7,259	16,870	(9,611)
Total Expenditures	198,342	\$ 281,870	\$ (83,528)
Cash Receipts Over (Under) Expenditures	125,239		
UNENCUMBERED CASH, July 1, 2010	(125,239) *		
UNENCUMBERED CASH, June 30, 2011	\$ -		

* See Note 4A (Cash Basis Law)
See Note 14 (KPERS Special Retirement Contribution)

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 325
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
For The Year Ended June 30, 2011

DISTRICT ACTIVITY FUNDS

	<u>Actual</u>
CASH RECEIPTS	<u>\$ 92,726</u>
EXPENDITURES	<u>81,273</u>
Cash Receipts Over (Under) Expenditures	11,453
UNENCUMBERED CASH, July 1, 2010	<u>26,682</u>
UNENCUMBERED CASH, June 30, 2011	<u><u>\$ 38,135</u></u>

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 325
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For The Year Ended June 30, 2011

BOND AND INTEREST FUND

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
CASH RECEIPTS			
General Property Taxes			
Ad Valorem Taxes			
Tax in Progress	\$ 17	\$ -	\$ 17
Delinquent Tax	295	-	295
Motor Vehicle Tax	10,052	8,816	1,236
Recreational Vehicle Tax	<u>218</u>	<u>212</u>	<u>6</u>
Total Cash Receipts	<u>10,582</u>	<u>\$ 9,028</u>	<u>\$ 1,554</u>
EXPENDITURES	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Cash Receipts Over (Under) Expenditures	10,582		
UNENCUMBERED CASH, July 1, 2010	<u>160,202</u>		
UNENCUMBERED CASH, June 30, 2011	<u>\$ 170,784</u>		

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 325
Phillipsburg, Kansas

Statement 3
(Cont.)

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
For The Year Ended June 30, 2011

SCHOLARSHIP FUND

	<u>Actual</u>
CASH RECEIPTS	<u>\$ -</u>
EXPENDITURES	<u>-</u>
Cash Receipts Over (Under) Expenditures	-
UNENCUMBERED CASH, July 1, 2010	<u>351</u>
UNENCUMBERED CASH, June 30, 2011	<u><u>\$ 351</u></u>

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 325
Phillipsburg, Kansas

Statement 4

SUMMARY OF CASH RECEIPTS AND CASH DISBURSEMENTS
For The Year Ended June 30, 2011

AGENCY FUNDS

<u>Fund</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
Retiree/Summer Health Insurance	\$ 9,122	\$ 49,434	\$ 42,382	\$ 16,174
Student Activity Funds	39,171	130,281	140,681	28,771
Total	<u>\$ 48,293</u>	<u>\$ 179,715</u>	<u>\$ 183,063</u>	<u>\$ 44,945</u>

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 325
Phillipsburg, Kansas

Statement 5

STATEMENT OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
For The Year Ended June 30, 2011

DISTRICT ACTIVITY FUNDS

Fund	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Student Attendance Incentive	\$ 278	\$ -	\$ 1,453	\$ 106	\$ 1,625	\$ -	\$ 1,625
High School Athletics	7,436	-	61,604	58,163	10,877	-	10,877
Middle School Athletics	2,971	-	15,970	12,749	6,192	-	6,192
School Play	1,095	-	814	878	1,031	-	1,031
Athletic Start Up	1,169	-	-	-	1,169	-	1,169
Middle School Office	25	-	18	-	43	-	43
Elementary School	13,708	-	12,867	9,377	17,198	-	17,198
Total District Activity Funds	\$ 26,682	\$ -	\$ 92,726	\$ 81,273	\$ 38,135	\$ -	\$ 38,135

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 325
Phillipsburg, Kansas

Statement 6

STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
For The Year Ended June 30, 2011

STUDENT ACTIVITY FUNDS

	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Student Activity Funds				
High School				
Academic Organization	\$ 300	\$ 280	\$ 481	\$ 99
Football Activity	2,133	8,349	9,600	882
Boys Basketball Activity	3,104	7,170	9,238	1,036
Girls Basketball Activity	313	420	730	3
Track	604	-	179	425
Weight Lifting	20	-	-	20
Tennis	1,658	2,129	2,313	1,474
Activity Sales	1,180	23,268	19,948	4,500
Middle School Activities	130	-	-	130
Volleyball	400	2,397	2,674	123
Amendment	6,437	12,314	15,541	3,210
Cheerleaders	50	8,866	7,756	1,160
FBLA	26	-	-	26
FFA	554	5,364	4,807	1,111
FFA Fruit	-	10,742	10,719	23
FCCLA	587	299	886	-
FCCLA Fruit	772	5,331	6,093	10
Home Economics Beef	-	150	150	-
Class of 2011	3,039	-	3,039	-
Class of 2012	90	17,110	14,558	2,642
Class of 2013	89	125	27	187
Class of 2014	-	124	-	124
Kayettes	349	7,225	7,151	423
NFL	1,497	880	1,015	1,362
NHS	1	81	81	1
Pacers	2,138	5,918	7,582	474
Art Club	399	354	461	292
Band Activities	184	25	-	209
SADD	316	-	-	316
Spanish Club	1,021	2,506	3,224	303
STUCO	6,032	1,603	2,009	5,626
Wrestling	-	48	-	48
Total High School	<u>33,423</u>	<u>123,078</u>	<u>130,262</u>	<u>26,239</u>
Middle School				
Pep Club	2,464	4,432	6,222	674
Student Council	776	1,240	1,151	865
5th & 6th Grade Activity	2,508	1,531	3,046	993
Total Middle School	<u>5,748</u>	<u>7,203</u>	<u>10,419</u>	<u>2,532</u>
Total Student Activity Funds	<u><u>\$ 39,171</u></u>	<u><u>\$ 130,281</u></u>	<u><u>\$ 140,681</u></u>	<u><u>\$ 28,771</u></u>

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 325
Phillipsburg, Kansas

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Unified School District No. 325, Phillipsburg, Kansas operates as a unified school district in accordance with the laws of the State of Kansas. The District is governed by an elected seven-member board and provides the following services: education, culture, and recreation.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39, "Determining Whether Certain Organizations Are Component Units," in that the financial statements include all organizations, activities and functions for which the District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either the District's ability to impose its will over a component unit, or the possibility that the component unit will provide a financial benefit or impose a financial burden on the District. On that basis, the reporting entity of the District includes the services of the District only (i.e., there are no component units).

FUND ACCOUNTING

The accounts of the District are organized on the basis of funds. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. Funds are classified into three categories: governmental, proprietary, and fiduciary. Within each of these three categories there are one or more fund types. The District uses the following fund types:

Governmental Type Funds:

General Funds—General Funds are used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds—Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Fiduciary Type Funds:

Private Purpose Trust Funds—Private Purpose Trust Funds are used to report trust agreements where both the principal and interest benefit individuals, private organizations, or other governments. The principal and income are not being used for the District's benefit.

Agency Funds—Agency Funds generally are used to account for assets that the government holds on behalf of others as their agent.

BASIS OF ACCOUNTING

Statutory Basis of Accounting—The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The District has adopted a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the District to revert to the statutory basis of accounting.

Departure from Accounting Principles Generally Accepted in the United States of America—The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles in the United States of America. Capital fixed assets that account for the land, buildings, and equipment owned by the District are not presented in the financial statements. Also long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

COMPENSATED ABSENCES

The District has formal sick leave, vacation, bereavement leave and personal leave policies. These policies vary depending on the employee's position. Vacation pay is not cumulative and is lost at the end of each year. Certain positions receive sick leave which may accumulate up to thirty-five to seventy-five days depending upon the employee's position. At the completion of each school year, each teacher will be paid \$40 per day for each day of sick leave that remains over the maximum accumulative days. Sick leave is not paid to employees that leave the District.

The cost of accumulated leave payable at June 30, 2011 was \$0.

REIMBURSEMENTS

Reimbursements are defined as repayments of amounts remitted on behalf of another party. All reimbursements shown in the financial statements meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursement was directly tied to the amount of the original cash disbursement.

2. BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of the notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the year ended June 30, 2011.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the District for future payments, and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for capital projects funds, fiduciary funds, permanent funds and the following special revenue funds:

Textbook & Student Material Revolving Fund
Contingency Reserve Fund
School Publications Fund

Gifts & Contributions Fund
Federal Funds
District Activity Funds

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

3. PROPERTY TAXES

Property taxes are levied November 1st of the calendar year. A lien is placed on the property when the taxes are levied. The taxes are due ½ on December 20th and ½ the following May 10th. Any taxes unpaid at the due dates are considered delinquent. Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year: such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operation of the District and therefore are not susceptible to accrual.

It is not practical to apportion delinquent taxes held by the County Treasurer at the end of the audit period and, further, the amounts thereof are not material to the financial statements taken as a whole.

4. COMPLIANCE WITH KANSAS STATUTES

A. Cash Basis Law:

K.S.A. 10-1113 requires each fund to comply with the cash basis laws of Kansas. That is, no commitments or indebtedness should be incurred unless there is available cash in the fund.

The General Fund incurred indebtedness in excess of the available cash balance. The General Fund expenditures exceeded the fund balance due to the final June state aid payment. The June state aid for the General Fund of \$377,166 was received July 6, 2011. K.S.A. 10-1116a exempts expenditures by school districts that are in excess of current revenues if the deficit in revenues is caused by the late distribution of general or supplemental general state aid.

At the beginning of the year, there was a deficit balance in the KPERS Special Retirement Fund due to the late receipt of the KPERS Special Retirement Aid from the State. The District received KPERS Retirement Aid of \$63,354 and \$61,884 on July 7, 2010 and July 8, 2010, respectively. K.S.A. 10-1116a does not exempt expenditures for the deficit caused by the late distribution of KPERS Special Retirement Aid. Therefore, the District was in violation of K.S.A. 10-1113 until the payment on July 8, 2010 was received.

B. Mandatory Purchase of Products:

K.S.A. 75-3317 through 75-3322 requires districts to make purchases of products offered by Kansas industries for the blind and severely disabled. The District failed to make mandatory purchases offered by these industries during the year ending June 30, 2011.

C. School Activity Funds

- (1) K.S.A. 72-8208a requires districts to account for school activity funds properly. The District failed to follow the Guidelines for Student Activity Funds, promulgated by the Kansas State Department of Education and the Department of Administration, by not accounting for all High School Activity Funds within the Activity Fund Accounting records and sponsors did not have adequate support for all deposits made.
- (2) K.A.R. 92-19-67 requires districts to follow sales tax laws promulgated by the Kansas State Department of Revenue, "Kansas Sales and Use Tax for Schools and Educational Institutions." The High School Activity Fund did not charge sales tax on some activities as required by the Kansas Sales Tax laws.

5. DEPOSITS AND INVESTMENTS

As of June 30, 2011, the District had no investments other than certificates of deposit, which are considered deposits under GASB Statement No. 3. K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located or in an adjoining county if such institution has been designated as an official depository and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; savings and loan associations savings bank, that participate in the Certificate of Deposit Account Registry Service (CDARS); U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at June 30, 2011.

At June 30, 2011, the District's carrying amount of deposits was \$2,320,875 and the bank balance was \$2,306,563. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$521,160 was covered by federal depository insurance. \$1,785,403 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

6. LONG-TERM DEBT

Changes in long-term liabilities for the District for the year ended June 30, 2011 were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Beginning Balance 7/1/2010	Additions	Reductions/ Payments	Ending Balance 6/30/2011	Interest Paid
Lease Purchase Agreement									
Qualified Zone Academy									
Bonds (QZAB)	3.25%	11/01/06	\$ 600,000	11/17/2016	\$ 439,650	\$ -	\$ 56,961	\$ 382,689	\$ -
Capital Leases									
Apple Computer	2.49%	04/25/09	480,657	4/25/2011	160,187	-	160,187	-	3,989
First National Bank	3.97%	05/11/10	377,698	11/15/2019	125,899	251,799	43,604	334,094	4,121
Total Capital Leases					286,086	251,799	203,791	334,094	8,110
Total Long-Term Debt					\$ 725,736	\$ 251,799	\$ 260,752	\$ 716,783	\$ 8,110

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	Lease Purchase Agreement		Capital Leases		Total	
Year Ended June 30	* Principal	Interest Paid	Principal	Interest Paid	Principal	Interest Paid
2012	\$ 58,813	\$ -	\$ 31,614	\$ 13,264	\$ 90,427	\$ 13,264
2013	60,724	-	32,837	12,041	93,561	12,041
2014	62,697	-	34,173	10,705	96,870	10,705
2015	64,735	-	35,530	9,648	100,265	9,648
2016	66,839	-	36,940	7,937	103,779	7,937
2017-2019	68,881	-	163,000	16,512	231,881	16,512
Total	\$ 382,689	\$ -	\$ 334,094	\$ 70,107	\$ 716,783	\$ 70,107

* Principal includes 3.25% interest earned on the QZAB account. The District is only responsible for making annual payments in the amount of \$51,750. (See Note 11)

7. INTERFUND TRANSFERS

Operating transfers were as follows:

From	To	Statutory Authority	Amount
General Fund	Vocational Education Fund	K.S.A. 72-6428	\$ 70,000
General Fund	Special Education Fund	K.S.A. 72-6428	890,780
General Fund	At Risk (K-12) Fund	K.S.A. 72-6428	15,239
General Fund	Capital Outlay Fund	K.S.A. 72-6428	200,000
Supplemental General Fund	Vocational Education Fund	K.S.A. 72-6433	110,000
Supplemental General Fund	Special Education Fund	K.S.A. 72-6433	111,637
Supplemental General Fund	Food Service Fund	K.S.A. 72-6433	40,000
Supplemental General Fund	At Risk (K-12) Fund	K.S.A. 72-6433	315,000
Supplemental General Fund	Professional Development Fund	K.S.A. 72-6433	5,000

8. DEFINED BENEFIT PENSION PLAN

Plan Description - U.S.D. No. 325 participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy - K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for active members hired before July 1, 2009. For active members employed on or after July 1, 2009, K.S.A. 74-49,210 establishes the KPERS member-employee contribution rate at 6% of covered salaries. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Service Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas currently contributes 9.17% of covered payroll, which includes pension contributions and group disability insurance. April 1, 2011 through June 30, 2011, there was a moratorium on the collection of the 1% Group Death and Disability Insurance premium. These contribution requirements are established by KPERS and are periodically revised. Kansas contributions to KPERS for all Kansas public school employees for the years ending June 30, 2010 and 2009 were \$248,468,186, \$242,277,363, respectively, equal to the required contributions for each year. For the year ending June 30, 2011, the required contribution was \$253,834,044. As of June 30, 2011, the State of Kansas had contributed \$188,864,352. The remaining \$64,969,692 was contributed by July 12, 2011. The amounts attributable to the District for the years ending June 30, 2011, 2010 and 2009 were \$198,342, \$250,551, and \$248,247.

9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters for which the District purchases commercial insurance.

During the year ended June 30, 2011, the District did not reduce insurance coverage from levels in place during the prior year. No settlements have exceeded coverage levels in place during the past three fiscal years.

10. OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, the District allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the District is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage.

The American Recovery and Reinvestment Act of 2009 (ARRA), as amended, provides for premium reductions for health benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985, commonly called COBRA. The premium assistance is also available for continuation coverage under certain State laws. "Assistance Eligible Individuals" pay only 35% of their COBRA premiums; the remaining 65% is reimbursed to the coverage provider through a tax credit. The premium reduction applies to periods of health coverage that began on or after February 17, 2009 and lasts for up to fifteen months.

11. QUALIFIED ZONE ACADEMY BONDS (QZAB)

The District entered into a lease purchase agreement on November 1, 2006 with First National Bank & Trust, Phillipsburg, Kansas, for the financing of improvement to the high school track and installation of a new floor in the high school gym. The District will pay First National Bank & Trust \$51,750 a year for a period of ten years. The payments are put into an account with the First National Bank & Trust where 3.25% interest is earned on the account balance. The District is expected to make payments totaling \$517,500 and the interest earned should total \$82,500 at the end of the ten years. When the First National Bank & Trust has received a total of \$600,000, the bonds will be paid off. Once the bonds are paid off the lease will be terminated.

12. DEFERRED COMPENSATION – RETIREMENT BENEFIT

In previous years, the District offered an early retirement package to certified staff members with at least ten consecutive years of service to the District and who met the KPERs Retirement Criteria. The early retirees are eligible to receive a percentage of their ending salary for seven years or until reaching full social security retirement age. A 403(B) deferred compensation plan is available for these employees. The amount of the benefit for two retirees deferred to American Fidelity for the year ended June 30, 2011 was \$6,541. The retired employee can opt out of this 403(B) package and receive a cash payment. The amount paid out in cash benefits to one retiree for the year ended June 30, 2011 was \$1,938.

DEFERRED COMPENSATION – NEGOTIATED AGREEMENT

The District offers its certified employees the option to participate in a defined contribution plan created in accordance with Internal Revenue Code Section 403(b). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan, available to all certified District employees, permits them to defer a portion of their current salary (up to \$16,500 and an additional \$5,500 catch-up contribution for employees age 50 and over) until future years. The District will match up to \$25 per month to be deposited in each employee's 403(b) plan. During the past fiscal year, the employees contributed \$60,690, and the District contributed \$14,950. The deferred compensation is not available to employees until termination, retirement, total and permanent disability, death, or certain financial hardship.

The Plan has contracted with AFPlanServ for selected plan administrative services. Among the services provided by AFPlanServ is approval of salary reduction agreements for beginning or changing amounts and/or providers. The Plan also contracts with American Fidelity Assurance Company to manage the investment of plan assets.

13. COMPLIANCE WITH K.S.A. 72-6417(d) AND K.S.A. 72-6434(d) AND CONFORMITY WITH THE BUDGET LAWS OF KANSAS.

K.S.A. 72-6417(d) and K.S.A. 72-6434(d) requires the school district to record any payment of general state aid and supplemental general state aid that is due to be paid during the month of June and is paid to the school district after June 30, as a receipt for the school year ending on June 30. The following shows the revenue as required by these Statutes.

**STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET
For The Year Ended June 30, 2011**

GENERAL FUND			
	<u>Statutory Transactions</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
STATUTORY REVENUES			
General Property Taxes			
Ad Valorem Taxes			
Tax in Process	\$ 9,610	\$ 4,698	\$ 4,912
Current Tax	451,977	411,177	40,800
Delinquent Tax	3,217	6,939	(3,722)
Mineral Production Tax	2,466	-	2,466
Reimbursements	127,672	-	127,672
State Reimbursements	3,480	-	3,480
State Aid	3,275,475	3,485,755	(210,280)
Special Education Aid	673,154	728,860	(55,706)
ARRA Stabilization Funds	83,090	83,090	-
Education Jobs Funds	145,490	-	145,490
Total Statutory Revenues	<u>4,775,631</u>	<u>\$ 4,720,519</u>	<u>\$ 55,112</u>
EXPENDITURES			
Instruction	2,348,394	\$ 2,352,700	\$ (4,306)
Student Support Services	81,543	148,070	(66,527)
Instructional Support Staff	71,569	77,750	(6,181)
General Administration	266,419	191,200	75,219
School Administration	417,613	401,200	16,413
Operations & Maintenance	365,101	375,500	(10,399)
Other Supplemental Services	48,973	65,000	(16,027)
Outgoing Transfers	1,176,019	1,109,099	66,920
Adjustment to Comply with Legal Max	-	(76,040)	76,040
Legal General Fund Budget	<u>4,775,631</u>	<u>4,644,479</u>	<u>131,152</u>
Adjustment for Qualifying Budget Credits			
Reimbursements	-	127,672	(127,672)
State Reimbursements	-	3,480	(3,480)
Total Adjustment for Qualifying Budget Credits	<u>-</u>	<u>131,152</u>	<u>(131,152)</u>
Total Expenditures	<u>4,775,631</u>	<u>\$ 4,775,631</u>	<u>\$ -</u>
Statutory Revenues Over (Under) Expenditures	-		
MODIFIED UNENCUMBERED CASH, July 1, 2010	<u>-</u>		
MODIFIED UNENCUMBERED CASH, June 30, 2011	<u>\$ -</u>		

13. COMPLIANCE WITH K.S.A. 72-6417(d) AND K.S.A. 72-6434(d) AND CONFORMITY WITH THE BUDGET LAWS OF KANSAS. (Continued)

**STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET
For The Year Ended June 30, 2011**

SUPPLEMENTAL GENERAL FUND

	<u>Statutory Transactions</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
STATUTORY REVENUES			
General Property Taxes			
Ad Valorem Taxes			
Tax In Process	\$ 15,193	\$ 9,859	\$ 5,334
Current Tax	618,595	537,576	81,019
Delinquent Tax	5,785	9,672	(3,887)
Motor Vehicle Tax	86,810	80,180	6,630
Recreational Vehicle Tax	1,979	1,929	50
Reimbursements	6,886	-	6,886
State Aid	822,799	825,491	(2,692)
	<u>1,558,047</u>	<u>\$ 1,464,707</u>	<u>\$ 93,340</u>
Total Statutory Revenues			
EXPENDITURES			
Instruction			
Purchased Professional & Technical Services	19,485	\$ 58,000	\$ (38,515)
Purchased Property Services	5,014	-	5,014
Other Purchased Services	19,768	25,000	(5,232)
Supplies			
General	26,771	25,000	1,771
Textbooks	17,560	55,000	(37,440)
Technology	19,088	11,000	8,088
Miscellaneous	9,775	8,000	1,775
Property	52,919	15,000	37,919
Other	28,500	3,000	25,500
General Administration			
Purchased Professional & Technical Services	4,375	-	4,375
Other Purchased Services			
Communications	686	2,000	(1,314)
Other	255	1,000	(745)
Supplies	4,804	4,000	804
School Administration			
Other Purchased Services			
Communications	404	-	404
Operations & Maintenance			
Purchased Property Services			
Water & Sewer	30,897	32,000	(1,103)
Repairs & Maintenance	272,713	160,000	112,713
Supplies			
General	22,221	25,000	(2,779)
Energy			
Heating	38,355	70,000	(31,645)
Electricity	109,677	125,000	(15,323)

13. COMPLIANCE WITH K.S.A. 72-6417(d) AND K.S.A. 72-6434(d) AND CONFORMITY WITH THE BUDGET LAWS OF KANSAS. (Continued)

**STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET
For The Year Ended June 30, 2011**

SUPPLEMENTAL GENERAL FUND (Cont.)

	<u>Statutory Transactions</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
EXPENDITURES (Cont.)			
Supervision			
Salaries			
Noncertified	\$ 9,778	\$ 10,000	\$ (222)
Employee Benefits			
Social Security & Medicare	743	900	(157)
Other	32	-	32
Vehicle Operating Services			
Other Purchased Services			
Contracting of Bus Services	214,049	215,000	(951)
Insurance	11,001	12,000	(999)
Motor Fuel	45,650	42,000	3,650
Vehicle & Maintenance Services			
Other Purchased Services	7,728	12,000	(4,272)
Supplies	2,410	2,500	(90)
Other	220	-	220
Other Student Transportation Services			
Purchased Property Services	45	500	(455)
Other Purchased Services	555	700	(145)
Outgoing Transfers			
Vocational Education Fund	110,000	150,000	(40,000)
Special Education Fund	111,637	100,000	11,637
Food Service Fund	40,000	70,000	(30,000)
At Risk (K-12) Fund	315,000	300,629	14,371
Professional Development Fund	5,000	15,000	(10,000)
	<u>1,557,115</u>	<u>1,550,229</u>	<u>6,886</u>
Legal Supplemental General Fund Budget Adjustment for Qualifying Budget Credits Reimbursements	<u>-</u>	<u>6,886</u>	<u>(6,886)</u>
Total Expenditures	<u>1,557,115</u>	<u>\$ 1,557,115</u>	<u>\$ -</u>
Cash Receipts Over (Under) Expenditures	932		
UNENCUMBERED CASH, July 1, 2010	<u>85,522</u>		
UNENCUMBERED CASH, June 30, 2011	<u>\$ 86,454</u>		

14. KPERS SPECIAL RETIREMENT CONTRIBUTION

The KPERS Special Retirement Contribution Fund, shown below, reflects all state aid as confirmed by the Kansas State Department of Education for the fiscal year ended June 30, 2011. This presentation includes the January and April 2011 state aid payments of \$63,354 and \$61,884 that were received on July 7 and July 8, 2011, respectively.

REVENUES AND EXPENDITURES - FISCAL YEAR AND AND BUDGET For The Year Ended June 30, 2011

KPERS SPECIAL RETIREMENT CONTRIBUTION FUND

	Actual	Budget	Variance Over (Under)
CASH RECEIPTS			
State Aid	\$ 198,341	\$ 281,870	\$ (83,529)
EXPENDITURES			
Instruction			
Employee Benefits	136,260	\$ 180,000	\$ (43,740)
Student Support Services			
Employee Benefits	13,209	20,000	(6,791)
Instructional Support Staff			
Employee Benefits	4,642	10,000	(5,358)
General Administration			
Employee Benefits	4,642	8,500	(3,858)
School Administration			
Employee Benefits	11,267	21,000	(9,733)
Other Supplemental Services			
Employee Benefits	5,275	5,500	(225)
Operations & Maintenance			
Employee Benefits	15,788	20,000	(4,212)
Food Services			
Employee Benefits	7,258	16,870	(9,612)
Total Expenditures	198,341	\$ 281,870	\$ (83,529)
Cash Receipts Over (Under) Expenditures	-		
UNENCUMBERED CASH, July 1, 2010	-		
UNENCUMBERED CASH, June 30, 2011	\$ -		

UNIFIED SCHOOL DISTRICT NO. 325
Phillipsburg, Kansas

Schedule 1

SCHEDULE OF EXPENDITURES - ACTUAL AND BUDGET
For The Year Ended June 30, 2011

GENERAL FUND			Variance Over (Under)
	Actual	Budget	
INSTRUCTION			
Salaries			
Certified	\$ 1,830,761	\$ 1,830,000	\$ 761
Noncertified	61,102	25,000	36,102
Employee Benefits			
Insurance	213,636	175,000	38,636
Social Security & Medicare	133,474	150,000	(16,526)
Other	49,796	90,000	(40,204)
Purchased Professional & Technical Services	41,339	30,000	11,339
Other Purchased Services	-	10,000	(10,000)
Supplies			
General	-	40,000	(40,000)
Textbooks	-	500	(500)
Miscellaneous	61	200	(139)
Property	566	2,000	(1,434)
Other	17,659	-	17,659
Total Instruction	2,348,394	2,352,700	(4,306)
STUDENT SUPPORT SERVICES			
Salaries			
Certified	56,126	60,000	(3,874)
Employee Benefits			
Insurance	-	8,000	(8,000)
Social Security & Medicare	4,489	5,000	(511)
Other	208	70	138
Purchased Professional & Technical Services	20,720	20,000	720
Other Purchased Services	-	55,000	(55,000)
Total Student Support Services	81,543	148,070	(66,527)

UNIFIED SCHOOL DISTRICT NO. 325
Phillipsburg, Kansas

Schedule 1
(Cont.)

SCHEDULE OF EXPENDITURES - ACTUAL AND BUDGET
For The Year Ended June 30, 2011

GENERAL FUND (Cont.)			Variance Over (Under)
	Actual	Budget	
INSTRUCTIONAL SUPPORT STAFF			
Salaries			
Certified	\$ 41,704	\$ 45,000	\$ (3,296)
Noncertified	13,432	15,000	(1,568)
Employee Benefits			
Insurance	9,120	7,500	1,620
Social Security & Medicare	3,894	5,000	(1,106)
Other	176	250	(74)
Supplies			
Books & Periodicals	2,036	3,000	(964)
Technology	1,207	2,000	(793)
Total Instructional Support Staff	71,569	77,750	(6,181)
GENERAL ADMINISTRATION			
Salaries			
Certified	55,275	55,000	275
Noncertified	81,774	85,000	(3,226)
Employee Benefits			
Insurance	14,575	16,000	(1,425)
Social Security & Medicare	10,579	15,000	(4,421)
Other	402	200	202
Purchased Professional & Technical Services	33,817	20,000	13,817
Other Purchased Services			
Insurance	69,997	-	69,997
Total General Administration	266,419	191,200	75,219
SCHOOL ADMINISTRATION			
Salaries			
Certified	223,283	215,000	8,283
Noncertified	112,439	115,000	(2,561)
Employee Benefits			
Insurance	30,597	34,000	(3,403)
Social Security & Medicare	25,367	25,000	367
Other	15,806	200	15,606
Other Purchased Services			
Communications	5,599	7,000	(1,401)
Supplies	4,522	5,000	(478)
Total School Administration	417,613	401,200	16,413

UNIFIED SCHOOL DISTRICT NO. 325
Phillipsburg, Kansas

Schedule 1
(Cont.)

SCHEDULE OF EXPENDITURES - ACTUAL AND BUDGET
For The Year Ended June 30, 2011

GENERAL FUND (Cont.)

	Actual	Budget	Variance Over (Under)
OPERATIONS & MAINTENANCE			
Salaries			
Noncertified	\$ 247,554	\$ 250,000	\$ (2,446)
Employee Benefits			
Insurance	69,632	40,000	29,632
Social Security & Medicare	18,461	20,000	(1,539)
Other	705	30,000	(29,295)
Purchased Property Services			
Cleaning	1,470	1,500	(30)
Repairs & Maintenance	10,373	15,000	(4,627)
Repair of Building	1,721	2,000	(279)
Other	732	2,500	(1,768)
Other Purchased Services			
Other	4,977	5,000	(23)
Supplies			
General	7,010	7,000	10
Property	2,466	2,500	(34)
Total Operations & Maintenance	<u>365,101</u>	<u>375,500</u>	<u>(10,399)</u>
OTHER SUPPLEMENTAL SERVICES			
Purchased Property Services	36,252	45,000	(8,748)
Other Purchased Services	9,966	15,000	(5,034)
Other	2,755	5,000	(2,245)
Total Other Supplemental Services	<u>48,973</u>	<u>65,000</u>	<u>(16,027)</u>
OUTGOING TRANSFERS			
Vocational Education Fund	70,000	70,000	-
Special Education Fund	890,780	728,860	161,920
At Risk (K-12) Fund	15,239	15,239	-
Capital Outlay Fund	200,000	295,000	(95,000)
Total Outgoing Transfers	1,176,019	1,109,099	66,920
Adjustment to Comply With Legal Max	-	(76,040)	76,040
Legal General Fund Budget	4,775,631	4,644,479	131,152
Adjustment for Qualifying Budget Credits	-	131,152	(131,152)
Total Expenditures	<u><u>\$ 4,775,631</u></u>	<u><u>\$ 4,775,631</u></u>	<u><u>\$ -</u></u>



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

September 13, 2012

**Board of Education
Unified School District No. 325
Phillipsburg, Kansas 67661**

We have audited the accompanying financial statements of Unified School District No. 325, Phillipsburg, Kansas, as of and for the year ended June 30, 2011 as listed in the table of contents, and have issued our report thereon dated September 13, 2012. Our report on the financial statements disclosed that, as described in Note 1 to the financial statements, the District prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the guidance in the Kansas Municipal Audit Guide.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Unified School District No. 325's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Unified School District No. 325's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Unified School District No. 325's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Board of Education
Unified School District No. 325
September 13, 2012
Page Two

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. (2011-1, 2011-2, 2011-3, and 2011-4). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Unified School District No. 325's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance and other matters that are required to be reported under Government Auditing Standards, which are described in the accompanying Schedule of Findings and Questioned Costs as item 2011-4.

We also noted certain other matters that we reported to management of Unified School District No. 325 in a separate letter dated September 13, 2012.

Unified School District No. 325's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Unified School District No. 325's response, and accordingly, we express no opinion on it.

This report is intended for the information of the Board of Education and management of Unified School District No. 325, Phillipsburg, Kansas, others within the entity, and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Mapes & Miller, LLP

Certified Public Accountants

September 13, 2012
Phillipsburg, Kansas



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

September 13, 2012

**Board of Education
Unified School District No. 325
Phillipsburg, Kansas 67661**

Compliance

We have audited the compliance of Unified School District No. 325 with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Unified School District No. 325's major federal programs for the year ended June 30, 2011. Unified School District No. 325's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Unified School District No. 325's management. Our responsibility is to express an opinion on Unified School District No. 325's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Unified School District No. 325's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Unified School District No. 325's compliance with those requirements.

In our opinion, Unified School District No. 325 complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Unified School District No. 325 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered

Board of Education
Unified School District No. 325
September 13, 2012
Page Two

Unified School District No. 325's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Unified School District No. 325's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Unified School District No. 325's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Unified School District No. 325's response and, accordingly, we express no opinion on it.

This report is intended for the information of the Board of Education and management of Unified School District No. 325, Phillipsburg, Kansas, others within the entity, and the federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specific parties.

Respectfully submitted,

Mapes & Miller, LLP

Certified Public Accountants

September 13, 2012
Phillipsburg, Kansas

UNIFIED SCHOOL DISTRICT NO. 325
Phillipsburg, Kansas

Schedule 2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2011

Federal Grantor/Pass-Through Grantor	Federal CFDA Number	Unencumbered Cash July 1, 2010	Cash Receipts	Expenditures	Unencumbered Cash June 30, 2011
U.S. Department of Education					
Passed through Kansas Department of Education					
ARRA State Fiscal Stabilization Fund	84.394	\$ -	\$ 83,090	\$ 83,090	\$ -
Title I Low Income	84.010	-	81,981	81,981	-
ARRA Title I Low Income	84.389	-	44,771	44,771	-
Education Jobs Fund	84.410	-	145,490	145,490	-
Title II Improving Teacher Quality	84.367	-	22,615	22,615	-
Title II Tech Literacy	84.318	-	325	325	-
Total U.S. Department of Education		-	378,272	378,272	-
U.S. Department of Agriculture					
Passed through Kansas Department of Education					
National School Lunch Program	10.555	-	138,279	138,279	-
School Breakfast Program	10.553	-	27,588	27,588	-
Total U.S. Department of Agriculture		-	165,867	165,867	-
Total		\$ -	\$ 544,139	\$ 544,139	\$ -

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Unified School District No. 325 and is presented on a statutory basis of accounting to demonstrate compliance with the cash basis laws of the State of Kansas. Expenditures include disbursements, accounts payable, and encumbrances. The information presented in this schedule is in accordance with the requirements of OMB Circular A-133, Audits of States, local governments, and non-profit organizations.

UNIFIED SCHOOL DISTRICT NO. 325
Phillipsburg, Kansas

Schedule 3

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2011

SECTION 1 – SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:

In accordance with the statutory basis of accounting described in Note 1 to the financial statements.

Unqualified

Internal control over financial reporting:

- Material weaknesses identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

FEDERAL AWARDS

Internal control over major programs:

- Material weaknesses identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB *Circular A-133*?

☐ Yes ☒ No

Identification of major programs:

CFDA NUMBER

84.410

NAME OF FEDERAL PROGRAM

Education Jobs Fund

Child Nutrition Cluster:

10.555

National School Lunch Program

10.553

School Breakfast Program

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

UNIFIED SCHOOL DISTRICT NO. 325
Phillipsburg, Kansas

Schedule 3
(Cont.)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2011

SECTION 2 – FINDINGS – FINANCIAL STATEMENT AUDIT

INTERNAL CONTROL

2011-1 Segregation of duties

Condition: The limited staff size does not provide for adequate segregating of duties.

Criteria: Segregation of duties should be maintained to strengthen internal control over accounting and compliance functions.

Effect: Lack of segregation of duties increases the risk of errors and noncompliance occurring and not being detected in a timely manner.

Cause: Because the entity is small, management does not feel it is feasible to hire more staff.

Recommendations: Duties of key financial and compliance personnel should be evaluated to determine if duties could be segregated.

Response: We concur with the recommendation. However, the size of the entity does not make it practical to have a sufficient number of employees to achieve the optimum level of internal control.

2011-2 Financial Statement Preparation

Condition: Management does not have the qualifications and training necessary to prepare the financial statements which would include the related footnote disclosures.

Criteria: Management must have controls over the preparation of the financial statements including footnote disclosures which would prevent or detect an omission/misstatement in the financial statements.

Effect: The control deficiency allows for omission/misstatements in the financial statements including footnotes that may not be prevented, detected, or corrected.

Cause: There are no procedures in place that require management to obtain the necessary qualifications and training.

Recommendations: Management would need to attend training classes and annual continuing education classes to educate on proper and complete preparation of the financial statements and footnote disclosures and to be aware of all of the current accounting standards by purchasing annual accounting subscriptions.

Response: We concur with the recommendation. However, the cost of annual subscription services and the continuous education/training classes do not make it practical to obtain the competency and expertise required to correct the deficiency.

**UNIFIED SCHOOL DISTRICT NO. 325
Phillipsburg, Kansas**

**Schedule 3
(Cont.)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2011**

2011-3 Signatures On Checks

Condition: During our review of internal controls, it was noted that all three authorized signatures are printed on the District's checks.

Criteria: Internal controls should be designed so that at least one authorized signer has control over their own signature.

Cause: There are no controls in place that require each individual to have control of their own signature.

Effect: Lack of controls could result in an unauthorized transaction.

Recommendations: We recommend that at least one authorized signer either manually sign or stamp their signature on each check.

Response: The board does not feel that it is efficient to have an independent signature on each check, and have confidence that compensating controls will prevent unauthorized checks.

2011-4 Activity Funds

Condition: The District was in violation of the Guidelines for Student Activity Funds and the Sales Tax laws of the State of Kansas.

Criteria: K.S.A. 72-8208a requires the District to account for school activity funds by following the Guidelines for Activity Funds and K.A.R. 92-19-67 requires the District to follow Sales Tax laws.

Cause: Management did not have proper oversight over the High School Activity funds.

Effect: All student activity money was not deposited and disbursed out of the activity fund account. A sponsor put the funds into a personal account and paid the disbursements from the personal account. Sponsors for various activities could not provide adequate records to support deposits. Sales Tax laws were not correctly followed for all sales and fundraising activities.

Recommendations: We recommend that policies be put in place and monitoring be performed to ensure that activity fund transactions are being properly handled.

Response: We concur with the recommendation. Additional controls have been put in place and sales tax issues have been corrected.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF EDUCATION

Education Jobs Fund-CFDA No. 84.410

No findings or questioned costs for the year ended June 30, 2011.

Child Nutrition Cluster – CFDA No. 10.555 and 10.553

No findings or questioned costs for the year ended June 30, 2011.

SECTION 4 – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2010-5

Condition: The limited staff does not provide for adequate segregation of duties.

Recommendation: Duties of key financial and compliance personnel should be evaluated to determine if duties could be segregated.

Current Status: The size of the entity does not make it practical to have a sufficient number of employees to achieve the optimum level of internal control, however, management continues to review procedures for opportunities to increase segregation of duties and increase monitoring of staff.